To expand communications between Washington and California, the California Institute provides periodic news bulletins regarding current activity on Capitol Hill that directly impacts the state. Bulletins are published weekly during sessions of Congress, and occasionally during other periods.

REN  BUCK MCKEON ASSUMES HELM OF HOUSE COMMITTEE ON EDUCATION & THE WORKFORCE

On February 8, 2006, the House Republican leadership selected Rep. Buck McKeon (San Clarita) as Chairman of the Education and Workforce Committee. As chairman, McKeon succeeds John Boehner (OH) who was elevated to the House Majority Leader position and thus vacated his committee slot.

In congratulating Rep. McKeon, Rep. David Dreier (Covina) said, “He is truly dedicated to the issues before the committee like improving higher education, competitiveness in the 21st century, and pension reform. He has developed real expertise that will serve the committee and its members well. California also stands to benefit from another chairmanship on another important committee. I applaud Buck’s selection and wish him well in his new position.”

With McKeon’s selection, Californians again chair six House committees. The number of California chairmanships declined from six to five last August, when Homeland Security Committee Chairman Christopher Cox (Newport Beach) resigned from Congress to accept President Bush’s appointment as Chairman of the Securities and Exchange Commission. In addition to Education & Workforce, Golden State representatives now also chair the House Committees on Appropriations (Jerry Lewis), Armed Services (Duncan Hunter), Resources (Richard Pombo), Rules (David Dreier), and Ways and Means (Bill Thomas).

With McKeon as Chair, the Education & Workforce leaders from both parties are now Californians; Rep. George Miller (Vallejo) is the Committee’s Ranking Democrat.

EPA MOVES AHEAD WITH RULE CHANGE TO EASE GASOLINE OXYGENATE REQUIREMENT

On Wednesday, February 15, 2006, the U.S. Environmental Protection Agency (EPA) announced that it would follow through with an action authorized by the 2005 Energy Policy Act, to eliminate the 2 percent oxygenate requirement for reformulated gasoline (RFG). When ultimately effective later this year, the move will culminate a 10-year battle that California policymakers and oil industry officials have waged to allow greater flexibility in determining the formulation of gasoline sold in the state. The EPA requirement had forced
California to enhance its gasoline whether it needed or not – first by adding MTBE, which was found to pollute groundwater and was ultimately banned, and later by spending large amounts of money to import ethanol, primarily from the Midwest.

The EPA released the text of two new RFG rules (one for California and one for the rest of the country) to remove the oxygen content requirement. (The compliance date for the removal of the oxygen requirement is different for gasoline sold in California than for gasoline sold in the rest of the country, EPA published different rules. The oxygen content requirement will be eliminated for other states on May 6, 2006, and for California 60 days from publication of the rule.)

Governor Arnold Schwarzenegger commented, “We have worked hard to make the case in Washington that California can make clean-burning gasoline without the oxygenate requirement. This decision provides us with the flexibility to protect our air and produce gasoline at the lowest possible price. This is good news for our environment and the people of California.”

Sen. Dianne Feinstein said, “This is great news for California. I’ve been fighting for a repeal of this provision for years because the federal requirement has forced California’s refineries to use an oxygenate even though they can make cleaner-burning gasoline without MTBE or ethanol. The announcement means that California refineries will finally be allowed to make gasoline that is cleaner burning than what they are making today.” Sen Barbara Boxer noted, “The use of the oxygenate ethanol in the summer months when clean burning fuels were available was actually counter to the purpose of the Clean Air Act which required the use of oxygenates in the first place.”

For links to the California and U.S. rules and other information regarding the oxygenate requirements, visit [http://www.epa.gov/otaq/rfg_regs.htm](http://www.epa.gov/otaq/rfg_regs.htm).

**Pombo-Feinstein Bill Seeks Perchlorate Cleanup Funds**

On Thursday, February 16, 2006, Senator Dianne Feinstein and Rep. Richard Pombo (Tracy), Chairman of the House Resources Committee, introduced legislation in both the Senate and the House of Representatives to authorize $50 million for perchlorate contamination cleanup in California.

“There’s no question many communities in California face water supplies contaminated with perchlorate,” said Rep. Pombo. “It is extremely important that the residents of California have access to safe, clean drinking water. Californians expect and deserve high quality drinking water and this legislation provides valuable assistance moving forward make it happen.”

Senator Feinstein commented, “Perchlorate contamination of our food and water is a growing threat to public health. So far, both the Defense Department and the Environmental Protection Agency (EPA) have failed to recognize the gravity of perchlorate contamination. In the meantime, communities in California have been forced to suffer the financial burden of trying to provide safe drinking water for their residents. This $50 million will help our communities pay for perchlorate contamination cleanup and ensure access to water that is safe and clean.”

Specifically, the California Perchlorate Contamination Remediation Act would authorize $50 million in grants for cleanup and remediation of perchlorate in the state’s water sources, including groundwater wells. It would give priority for cleanup grants to California water authorities most affected by perchlorate contamination, including areas within the natural watershed of the Santa Ana River (including San Bernardino and Riverside Counties), the Santa Clara Valley, the San Gabriel Valley, and Sacramento County. It would authorize $8 million for research and development of new and more efficient perchlorate cleanup technologies, and urge the EPA to set a national drinking water standard for perchlorate.
FUSION ENERGY SCIENCE LEADERS VISIT CAPITOL HILL

Members of the fusion energy research and development community converged on Capitol Hill to promote greater funding for fusion research projects on February 16, 2006. The fusion research leaders, many from California, agreed that their priority was to ensure that Congress followed through with the president’s budget, which provides a 12 percent increase in fusion energy research in FY 2007. California perennially wins a large share of federal expenditures on fusion science research.

In an era of budgetary constraint, a bright spot in the Administration’s FY 2007 budget proposal is federal support for research and development programs, including fusion energy sciences which was slated for $319 million, a $31 million increase from the prior year. The fusion research community still expect this year will present challenges because of the threat of across the board spending cuts and other reductions or reprogramming of dollars that Congress has instituted in the past. One of the priorities for advocates of fusion research is the ITER construction project—a long-term international collaboration that will demonstrate the scientific and technological feasibility of fusion energy. Advances in fusion energy are critical to maintaining the country’s competitive edge, according to supporters. Full funding for ITER is included as part of President Bush’s American Competitiveness Initiative, which plans to double funding for the hard sciences over the next ten years.

On Friday, February 17, 2006, fusion experts will present a briefing regarding fusion energy research activities at the University of California’s Washington Center. The briefing will take place at 10:00 a.m. at the UCDC building, 1608 Rhode Island Ave, NW, in Washington, D.C.


HOUSE TRANSPORTATION PANEL WEIGHS $2.3 BILLION HIGHWAY ACCOUNT SHORTFALL

On February 15, 2006, the House Highway, Transit, and Pipelines Subcommittee heard from a top transportation budget official on the reasons for an unanticipated budget shortfall in the Highway Trust Fund (HTF) and ways to address its reversal. Phyllis Scheinberg, Assistant Secretary for Budget and Programs and CFO of the Department of Transportation (DOT), confirmed the presidential budget’s estimation that the highway account of the HTF would slump to a negative $2.3 billion balance by FY 2009, if Congress does not act before then to institute new accounting mechanisms.

Subcommittee Chair Tom Petri (WI), expressed his concern over DOT’s inability to estimate the projected HTF shortfall when Congress was considering the comprehensive transportation law enacted last year known as SAFETEA-LU. He was also pleased to find that in spite of the discrepancy, the President’s FY 2007 budget generally remained consistent with authorization levels statutorily prescribed in the SAFETEA-LU law. Rep. Petri wanted more information on three proposals in the budget that deviated from SAFETEA-LU language and if they would have any HTF implications.

Assistant Sec. Scheinberg testified that the negative shortfall would occur in three years because of insufficient revenue being generated from the HTF’s current financing structure. The 18.3 cent per gallon gasoline tax and other traditional sources of federal transportation revenue which primarily finance highways, transit and safety programs were not keeping pace with demands, according to the Assistant Sec. Of the three budget proposals, she suggested that the establishment of a $100 million Open Roads Financing Pilot Project would be a valuable way to explore innovation in highway financing; to augment existing resources and begin the shift away from traditional methods of revenue raising. The program would be available to five states and is expected to improve highway performance and reduce congestion. Ms. Scheinberg voiced support for SAFETEA-LU’s establishment of two commissions tasked with examining alternatives to the current HTF financing system. She attested that there were no cuts being considered to any SAFETEA-LU programs in response to the new HTF estimates, and expressed a willingness to work with Congress to find other ways to counteract the shortfall.

Ms. Scheinberg noted two other programmatic changes to SAFETEA-LU, one shifting the National Highway Transportation Safety Administration (NHTSA) account from the General Fund to the HTF, and the other recommending $100 million for the newly established Small Starts transit program, rather than the $200 million annual authorization contained in SAFETEA-LU for the capital investment program. The program is recommended at a lower level in FY 2007, because DOT’s time-line for providing final guidelines on eligibility and standards for assessment will make it difficult to award additional grants, according to Scheinberg.
During questioning, panel Democrat Brian Baird (WA) strongly criticized the Administration for what he claimed was poor implementation of Buy America language contained in SAFETEA-LU. He singled out California and CalTrans as alleged violators of the statute and sought action from DOT that would result in a reduction or loss of federal transportation receipts to the state.

For more information visit the House Subcommittee on Highway, Transit, and Pipelines website at: http://www.house.gov/transportation/

**Methyl Bromide Use Discussed at Capitol Hill Hearing**

On Wednesday February 15, 2006, the Government Reform Subcommittee on Energy and Resources, chaired by Rep. Darrell Issa (Vista), conducted a hearing to examine the Montreal Protocol’s Critical Use Exemption process with respect to methyl bromide; a biocide widely used in the U.S. agricultural community to effectively kill insects and plant pathogens. The Montreal Protocol was first signed by President Reagan in April of 1988 and has enjoyed bipartisan support since its implementation. The aim of the Montreal Protocol is for the United States and the international community to gradually eliminate the use, production, and trade of ozone depleting substances. Yet, there have been no suitable alternatives developed to take the place of methyl bromide and critics on both sides are at odds as to how to comply with the Critical Use Exemption (CUE) process afforded by the Montreal Protocol and whether or not the CUE process is serving U.S. interests.

The CUE process allows any developed country, that is adhering to the Protocol, to seek an exemption from the methyl bromide phase-out if it is determined that either; the absence of methyl bromide would cause a significant market disruption and/or if there is no technically and economically feasible alternatives for the use of the substance. In 1991, the Environmental Protection Agency (EPA) established a U.S. phase-out date of 2001 for methyl bromide without any exceptions. In 1997, the U.S. and the Montreal Protocol Parties agreed to a full phase-out of methyl bromide by January 1, 2005, with interim reductions in 1999, 2001, and 2003. However, contrary to the projected goal of eliminating methyl bromide use and production, the United States has been allowed to use, through Critical Use Nomination (CUN) requests, between 9,900 and 6,400 metric tons for 2005, 2006, 2007, and 2008—this translates to between 39 percent to 25 percent of the United States 1991 baseline consumption for methyl bromide.

Michelle Castellano, Vice President of Mellano & Company, spoke at the hearing on behalf of those in California’s agricultural sector who oppose stipulations under CUE and its apparent failure to support U.S. domestic growers. She argued that under the Montreal Protocol terms, people working in the agricultural industry are faced with international and political issues in trying to comply with the CUE process. The stringent guidelines forcing U.S. growers to discontinue the use of methyl bromide, whether or not there are alternatives, are causing growers to go out of business or to be non-competitive in the global marketplace. Furthermore, Ms. Castellano asserted that U.S. growers have complied with the terms in the treaty and that they are entitled to exemption, but that they are not receiving the full exemption to which they are guaranteed under the Montreal Protocol.

Mr. William Wehrum, Acting Assistant EPA Administrator for Air and Radiation, spoke at the hearing on behalf of the Department of State, the Department of Agriculture, and the EPA in his support for the complete elimination of methyl bromide in the United States under the conditions of the Montreal Protocol. According to Mr. Wehrum, methyl bromide has been scientifically proven to be harmful to the environment and it is also known to pose serious health threats, such as cataracts, prostate cancer, and skin cancer, in those exposed to the substance. Allowing for exceptions to be made for methyl bromide use and production in the United States, Mr. Wehrum argued that it is bad for international relations because it relays the message to other countries participating under the Montreal Protocol that the elimination of methyl bromide is not a main priority for the United States, so it should not be perceived as a critical issue to their country. In addition, Mr. Wehrum states that not fully adhering to the Montreal Protocol is bad for economics in the United States because companies that have taken the costly step to phase-out methyl bromide are being penalized for their prompt actions whereas other companies are still being allowed to engage in the methyl bromide industry.

The other witnesses at the methyl bromide hearing concluded that there are still some improvements that need to be made within the Montreal Protocol and more specifically the CUE process. Furthermore parties on both sides of the controversy agree that resources need to be allocated to ensure that alternatives to methyl bromide are established in the near future.

For more information or to view a copy of this report visit: [http://www.reform.house.gov](http://www.reform.house.gov).
NANOTECHNOLOGY ADVANCES EXPLORED BY SENATE COMMERCE COMMITTEE

The Senate Committee on Commerce, Science, and Transportation held a hearing to examine developments in nanotechnology on Wednesday, February 15, 2006. The Committee heard from nine witnesses from the government, academia, and the private sector, including: Dr. Richard Buckius, Acting Assistant Director for Engineering at the National Science Foundation, and Dr. Mark Davis, Professor of Chemical Engineering at the California Institute of Technology. The witnesses all reported on the advances in medicine, information technology, defense, and other industries as a result of the use of nanotechnology materials and processes. Research using nanotech has produced encouraging results in the treatment of cancer and heart disease, as well as in commercial applications such as producing cultured diamonds.

Dr. Buckius noted that “in its earliest stages, nanotechnology referred simply to passive materials, such as nanoparticles found in composite materials and paint. We are now moving beyond passive systems and are beginning to see active nanostructures, such as sub-100-nm transistors in commercial electronics and the LEDs used in traffic lights. As our ability to create new materials and technologies increases over the next decades, we can expect to see complete nanosystems with complex three-dimensional structures and the ability to respond and perform multiple functions.” He outlined the advantages NSF’s interdisciplinary grant programs have in promoting collaborative and synergistic research in nanotech and noted that the agency has created an interdisciplinary nanotechnology research community through support for large and small research groups and individual investigators, as well as a variety of programs for training and education. For example, he said, NSF supports approximately 3,000 active R&D projects, has founded 24 centers, networks, and user facilities, and educated or trained about 10,000 students and teachers in nanotechnology in 2005 alone.

Dr. Buckius also noted that NSF has funded research on nanoscale processes in the environment since FY 2001, with funding for research supporting environmental, health, and safety aspects of nanotechnology reaching about $82 million, or 7 percent of the NSF nanoscale science and engineering investment. The research has addressed the sources of nanoparticles and nanostructured materials in the environment (in air, water, soil, biosystems, and work environment), as well as the non-clinical biological implications, according to Buckius.

Dr. Davis focused his testimony on the use of nanotechnology in the treatment of cancers. He argued that the “benefits of treating human disease with nanoparticle therapeutics far exceed the potential safety risks. In particular, there is great anticipation that these new medicines will be able to revolutionize the diagnosis and treatment of metastatic cancer.” He stated that nanoparticles created for the purpose of injection into humans for therapeutic purposes “are well designed and rigorously tested for safety, unlike nanoparticles that enter the body from environmental exposure.” He allowed, however, that while nanoparticle medicines have been used safely in humans for several decades, further investigation into the biocompatibility of nanoparticles in humans is merited, but did not believe that additional statutory authority to complement the FDA approval process was necessary at this time.

For further information and the testimony of all the witnesses, visit: http://www.commerce.senate.gov.

USTR DISCUSSES 2006 TRADE AGENDA IN HILL TESTIMONY

U.S. Trade Representative Rob Portman appeared before the House Ways and Means Committee on Wednesday, February 15, and the Senate Finance Committee the following day to brief the members on the Administration’s trade agenda for 2006.

Ambassador Portman reviewed some of the highlights of the past year’s agenda, including passage of the CAFTA-DR Trade Agreement, as well as other free trade agreements, and successfully persuading China to remove its discriminatory tax on semiconductors after the U.S. filed a formal WTO complaint. He then broke down into three categories the focus of the Administration’s 2006 agenda: 1) global talks, including the Doha development agenda, and WTO accessions; 2) negotiations on additional bilateral and regional trade agreements; and 3) enforcing and strengthening trade laws and agreements.

In terms of Doha negotiations on the service sector, Portman testified that the U.S. has been successful in developing a framework for a services agreement and he believes a commercially meaningful market access package can be achieved by the end of the Doha round. But, he said, the bottom line is that the U.S. will have to continue to push emerging developing countries to improve their negotiating offers and open their markets to services.

The U.S. will continue to push for improvement in the agriculture negotiations, as well. Especially important will be further efforts to expand market access through tariff reductions, eliminate export subsidies, and substantially reduce trade distorting agricultural subsidies.
In terms of bilateral and regional agreements, Ambassador Portman noted that the Oman and Peru negotiations have been completed and USTR expects to complete Thailand, Columbia, Panama, and the UAE in 2006. Negotiations on the Free Trade Agreement of the Americas will continue in 2006, as well.

The Administration has also developed several priority enforcement initiatives that it will pursue outside the traditional dispute settlement process. In terms of China, the USTR will push for textile safeguards and improved transparency. Ambassador Portman said the Administration also will continue to pursue its new initiative against piracy – the Strategy Targeting Organized Piracy (STOP) Initiative.


**BUSH PROPOSES TO CAP NORTHWESTERN STATES’ PROFIT ON BPA SALES TO CALIFORNIA**

President Bush’s 2007 Budget Proposal calls for the Bonneville Power Administration (BPA) to retire its federal debt with receipts from any sales to California that exceed $500 million.

Managing the power generated by hydroelectric plants along the Columbia River and its tributaries, BPA is a federal agency that sells electric power at low rates throughout the Pacific Northwest. When surplus power is generated, such as during summer months, is offered to other power grids in California and the Southwestern United States. However, despite the fact that BPA is a federal entity, it sells its power to California at market rates, which are considerably higher than the at-cost rates offered only to its customers in Washington, Oregon, Idaho, and Western Montana.

Arguing that excessive profits constitute an unfair rate subsidy benefitting those Northwestern states, the Bush Administration proposes to limit the amount of retained profit from excess power sales to California and similar states to a maximum of $500 million per year. Since taxpayers across the country authorize and support BPA, argue proponents of the change, why should a federal utility charge higher rates to Californians than to residents of Oregon and Washington. BPA officials have predicted that the next decade will see a spike in demand from California and the Southwest coupled with abundant supply of surplus hydropower.

Governors, Members of Congress, and Senators from the Pacific Northwest are arguing vehemently that BPA continue to be able to funnel what many expect to be a windfall of hydroelectric power revenue from California into the lowering of electricity rates in their states. In 2005, local officials successfully fought a Bush Administration effort to force BPA to charge equivalent market rates in the Northwest.

**SENATORS URGE FEDERAL REIMBURSEMENT TO CALIFORNIA FOR MEDICARE DRUG COSTS**

On February 7, 2006 U.S. Senators Dianne Feinstein and Barbara Boxer urged the Bush Administration to reimburse California for the cost of providing low-income seniors with emergency access to prescription drugs during foul-ups that marred the start of the new Medicare prescription drug program. In the letter sent by the Senators to Michael Leavitt, Secretary of the Department of Health and Human Services (HHS), they also requested the Administration to honor a commitment to provide the State with savings related to the transfer of one million Californians from Medicaid to Medicare for drug coverage.

The Medicare Modernization Act requires that states be able to retain ten percent of the savings from no longer providing drugs for dual eligible individuals, with that percentage growing to twenty-five percent over time. However, not only has California not received the ten percent savings, but under this federal program it is costing the state more money than if it had maintained drug coverage for Californians on Medicaid. In California alone, the state estimates it has incurred a net cost of $72 million in FY 2005-06 from the so-called ‘clawback’ provision; which has in fact produced outcomes contrary to the Administration’s objective for no net loss to States. California has been forced to spend more than $18 million, with the possibility of spending $150 million in emergency funding to protect its citizens from the incredibly problematic and faulty implementation of the new Medicare drug benefit.

Based on estimates from the nonpartisan Legislative Analyst’s Office in California, the clawback payment and other factors under the Medicare Modernization Act will cost California $758 million through FY 2008-09. The Senators urge the federal government to reimburse California fully for all the costs that the state has absorbed as a result of the transition process and argue that without immediate relief to the state, the Medicare drug benefit amounts to a massive unfunded mandate on California.

For more information or to view the letter, visit: http://www.feinstein.senate.gov.

For more information or to view the letter, visit: http://www.waysandmeans.house.gov.
HOUSE BUDGET CONSIDERS DOMESTIC ENTITLEMENTS

On February 15, 2006, the House Committee on the Budget held a hearing on domestic entitlements. Discussions revolved around oversight of entitlement and mandatory spending obligations in light of the nation’s long-term fiscal outlook.

In his opening statements, Chairman Jim Nussle (IA) mentioned the short window of time to hold hearings before the Committee’s budget markups. He also noted that annually the spending growth hovers around six percent each year; he acknowledged the need for long-term solutions, stating that the Deficit Reduction Act was the first step towards this goal.

US Comptroller General David Walker testified before the Committee. In his presentation, he stressed the importance of a three pronged approach to remedying the nation’s large, growing, and structural fiscal imbalances: 1) the need to restructure existing entitlement programs; 2) the importance of reexamining the base of discretionary and other spending; and 3) the need to review and revise existing tax policy, including tax expenditures, which can operate like mandatory spending programs. In summary, Gen. Walker testified that the long-term spending outlook of the nation is significantly impacted by rising healthcare costs coupled with known demographic trends. He also expressed concern about the archaic nature of the current policies and procedures of the federal government and strongly recommended reform. Gen. Walker stated that some tax expenditures are very similar to mandatory spending programs even though they are not subject to the appropriations process or selected budget control mechanisms. Hence, he noted that while tax expenditures represent a significant commitment, it is not typically subjected to review or reexamination. In order to control expenditures, Gen. Walker touted the benefits of converting mandatory spending to discretionary or annually appropriated programs.

Also testifying was Douglas Holz-Eakin, former director of the Congressional Budget Office. Holz-Eakin strongly recommended reform based on the permanent demographic shift in the landscape in which Social Security, Medicare, and Medicaid operate. He did not believe that economic growth alone could alleviate the burden of rising spending for those programs. Also, he acknowledged that the demographic shift has arrived, thus, efforts to control its growth should begin. As for spending commitments, Holz-Eakin testified that they must be paid for in higher taxes now or in the future. He also recommended the following as alternative strategies for controlling the growth of future outlays: 1) fundamental reform on a program-by-program basis, such as reform of Social Security and Medicare on a stand-alone basis, 2) cross-cutting reform of programs that have a common basis in demographic shifts, or 3) incremental reform on a continual basis, such as would be accomplished by reconciliation instructions on an annual schedule.

Additional information regarding this hearing is available at: http://www.house.gov/budget.

COMBAT METH ACT INCLUDED IN LEGISLATION EXTENDING PATRIOT ACT PROVISIONS

On February 10, 2006 Senators Dianne Feinstein and Jim Talent (MO) announced that the Combat Meth Act was included in the compromise reached by the USA-Patriot Act Reauthorization Conference Report. The heart of this legislation is a strong standard for keeping pseudoephedrine products out of the hands of meth cooks. This includes a limit on how much cold medicine with pseudoephedrine can be purchased both daily and monthly, moving these products behind the counter, and requiring purchasers to show identification and sign a log book. This legislation is modeled after an Oklahoma law which was credited with causing an immediate 80 percent decline in meth lab busts.

Methamphetamine is a deadly, fiercely addictive and rapidly spreading drug in the United States. During the past decade, while law enforcement officers continue to bust record numbers of clandestine labs, meth use in communities has increased by as much as 300 percent. Meth is cheap, potent, and available everywhere; this new Combat Meth Act initiative aims to curtail meth activity by becoming the toughest, most comprehensive anti-meth package ever considered by Congress. Meth proliferation has been broader and more extensive in California, particularly along the I-5 corridor, than in the nation as a whole.

According to the report, the Combat Meth Act’s restriction for the sale of ingredients to cook meth allows legitimate consumers to get the medicine they need, but it limits how much one person can buy, to 9 grams a month and 3.6 grams a day. It also creates a new Drug Enforcement Agency (DEA) classification for meth precursors to impose tougher penalties for meth cooks while allowing legitimate consumers to access the medicines they need without a prescription. Additionally, the Anti-meth package provides critical resources to local law enforcement and state and local government with supplementary funding of $99 million per year for the next five years under the
Meth Hot Spots program. Services are also being provided for children affected by the spread of meth with $22 million in grant funding in 2006 and 2007 for Drug Endangered Children. The intent of these various programs is to promote the collaboration among federal, state, and local agencies to combat the production of methamphetamine by expanding funds available for personnel, environmental clean-up, and equipment for enforcement.

For more information, visit: [http://www.senate.gov/~feinstein/06releases/r-meth-patriot.htm](http://www.senate.gov/~feinstein/06releases/r-meth-patriot.htm).

**USDA Reports On Decline In California Farmlands**

According to a report by the U.S. Department of Agriculture, California, the nation’s leading farm state, lost 500 farms in 2005 as a result of consolidation to bigger operations and the transformation of more land to urban development. Although only representing less than one percent of the state’s remaining 76,500 farms, the number of farms in the state has fallen for the seventh straight year – a total loss of 10,500 farms, states the USDA. State farm acreage dropped by 300,000 acres last year.

Federal statistics show that in California, where farmers produced $31.8 billion in goods on about 26.7 million acres in 2004, the average farm size was approximately 345 acres last year. Nationally, California’s farm losses represented 4.2 percent of 11,980 farms that closed in 2005. The U.S. has 2.1 million farms on nearly 1 billion acres of land.

Farm consolidation trends can benefit both sellers and buyers, according to the report. For instance, the number of farms reporting sales over $500,000 rose to 8,500 in 2005; an increase of 200 farms. Likewise, farming operations reporting sales of $250,000 to $500,000 jumped to 4,300 last year; an increase of 100 farms.

**CSBA Briefing Outlines Federal Priorities for California Schools**

Speakers from the California School Boards Association (CSBA), which represents over 1,000 California school districts and county offices of education, briefed California Congressional Delegation staff on their legislative goals for the year on February 3, 2006. CSBA’s Assistant Executive Director Rick Pratt and his colleagues spoke extensively about the K-12 educational impact of the Governor’s proposed state budget and new infrastructure investment initiatives. The presenters also discussed the reauthorization of the No Child Left Behind (NCLB) Act and the reauthorization of the Secure Rural Schools and Community Self Development Act.

Mr. Pratt noted that Governor Arnold Schwarzenegger’s proposed 2006-07 budget plans to boost general fund education spending to $91.5 billion, although expenditures are expected to jump higher than available resources can cover. In FY 2006-07, K-12 education comprised 41 percent of the state budget, while K-12 per pupil spending in California was projected to grow by $600 to $10,996 per student, according to Mr. Pratt’s budget assessment. Mr. Pratt asserted that the per pupil figure was somewhat deceptive because it included debt servicing on bonds, funds for teachers’ retirement, administrative costs, and funding for the state library. When these and other costs are deducted, the actual average per student spending figure in California is $7,500, according to Mr. Pratt. The proposed total, although an increase, still lags behind the amount that the education sector would have received if Proposition 98 hadn’t been suspended last year, according to the presenter.

Prop. 98, approved in 1988, is a ballot initiative measure that provides a minimum guaranteed funding for education spending. It was frozen by the Gov. and the Legislature in 2004 (and again in 2005) after a deal with education leaders was struck to backfill any reductions in funding in future years, as the state managed its ongoing fiscal crisis. Mr. Pratt also suggested that the Governor’s proposal to fully fund a separate program (Prop. 49) that provides before and after school assistance to school children using Prop. 98 funds, would mean that $428 million would be counted against the repayment to schools, “ongoing school programs will absorb the cost,” he said.

The Governor’s 10-year $48.2 billion education strategic growth plan was then compared to Assembly Speaker Fabian Nunez’s investment plan (AB 58). Speaker Adonal Mack exhibited the variations in funding totals, noting that the Speaker’s 2006 K-12 Bond contained less money overall ($6.5 billion) compared to the Governor’s plan ($7.4 billion). The Speaker’s plan provides more money for portable infrastructure while the Governor proposes more funding for charter schools, modernization and career/technical education.

The CSBA representatives voiced their concerns about NCLB’s policy objectives, assumptions and the unreconciled differences between Adequate Yearly Progress (AYP) and Academic Performance Index (API). According to Rick Pratt, NCLB passage has led to some unintended consequences that ought to be addressed before the Act’s reauthorization. These include watered down curriculum, the establishment of minimum standards versus
high performing students, the heavy focus on objective testing over creativity and problem solving, and risk aversion.

Erika Hoffman spoke briefly about the need to reauthorize the Rural School and Community Self-Determination Act, which supports schools in rural areas and gave recommendations for how the Act could be improved. CSBA’s recommendations include expanding receipt-generation, instituting cost of living adjustments, establishing incentives for coordination and partnership, and ensuring the availability of sustainable self-sufficiency incentives.

For more information on these topics or to learn more about CSBA visit http://www.csba.org.

LACMTA TRANSIT PRIORITIES DISCUSSED AT HILL BRIEFING

On Tuesday February 7, 2006, at the annual Metro Congressional Briefing, the Los Angeles Metro Transit Director of Federal Advocacy, David Kim, and other L.A. Metro officials, discussed the impacts that the new federal transportation act, the Safe Accountable Flexible Efficient Transportation Equity Act (SAFETEA-LU), will have on California. SAFETEA-LU was enacted in August of 2005 and will provide $23.4 billion in federal funds to California through the year 2009 for highways, transit, and transportation safety.

Roger Snoble, the Metro Chief Executive Officer, discussed the current state of the Los Angeles County Metropolitan Transportation Authority (LACMTA) noting that California is facing a substantial increase in public transportation ridership; with light rail ridership increasing 10.6 percent from last year and bus ridership up by 4 percent from last year. According to Mr. Snoble, California faces difficult and debilitating issues regarding its public transportation sector: the state is unique in that it is legal for public transportation workers to strike (Los Angeles averages a strike every 4 years), the operating expenses for the use and maintenance of public transportation in California are not being sufficiently met and therefore state taxpayers are having to come up with the remaining costs, and a large portion of the state’s low-income population cannot afford to buy a vehicle so their livelihood depends on public transportation.

Rick Thorpe, the Metro Chief Capital Management Officer, outlined the long-range transportation plans that California is anticipating to implement including the construction and costs of: the Orange Line clean burning CNG fuel Metro Liner Bus from Warner Center, the Metrorail Gold Line extension from the East Side, and the Exposition Line connecting downtown Los Angeles to the beaches of Santa Monica. According to the population and employment estimates, ridership on the Orange Line and the Gold Line is expected to grow to 20,000 by the year 2020 and ridership on the Exposition Line is projected to be 68,000 daily riders by the year 2020.

The Orange Line, which was completed in October 2005, has 14 miles of exclusive busway access, with 5 out of the 13 stations furnished with Park & Ride lots. The total cost of this project was expected to be at $340.1 million. The Gold Line, projected to be completed by the year 2009, will have 6 miles of Light Rail, at a cost of $898.8 million of which 58 percent is intended to be covered by federal New Starts and transit formula funds. The Exposition Line, estimated to be completed by the summer of 2010, will have 14.1 miles of Light Rail, with 8 of the 15 stations having Park & Ride lots, at a probable cost of $1.3 billion.

Commander of the Los Angeles County Sheriff’s Department, Mr. Dan Finkelstein, and Los Angeles Metro Director of Intelligence and Emergency Preparedness Management, Mr. Paul Lennon, asserted at the briefing the importance of maintaining the Los Angeles Metro Security Program with a renewed focus on counter-terrorism and Visible Interaction, Protection, and Response (VIPR). Moreover, the Los Angeles Metro needs additional homeland security resources to: improve its internal communications system, install protective barriers, institute expanded K-9 and officer patrols, expand closed circuit monitoring of sensitive areas and place chemical and biological detection systems at major bus and rail stations.

The speakers at the Annual Metro Congressional Briefing, concluded that restructuring Los Angeles’ Metro system is a key step in the attempt to transition from a ‘car dependent’ society to a public transportation accessible society, and that the benefits outweigh the costs of not confronting these issues in California. Furthermore, with increased federal support flowing to California through the new transportation act; opportunities for financing public transportation through nontraditional sources and expediting project delivery have been presented.

For more information on this briefing or to view a copy of this report visit http://www.metro.net.

HEARING ON COAST GUARD BUDGET REQUEST FOR FY 2007

missions of the US Coast Guard and evaluate the restructuring of the Integrated Deepwater System (IDS) to support the Coast Guard’s homeland security missions, the transfer of the National Capital Region’s Air Defense mission, and the Administration’s proposal to expand the current Expanded Maritime Safety and Security Team (EMSST) to an interagency Maritime Security Response Team (MSRT) with around-the-clock capabilities.

Testifying before the subcommittee was Admiral Thomas Collins, Commandant of the US Coast Guard, who stated that funding for the Integrated Deepwater System (IDS) acquisition program would be used for the following: constructing the fourth National Security Cutter and the first Fast Response Cutter; acquiring the sixth Maritime Patrol Aircraft; bolstering the network of command, control, communications, computers, intelligence, surveillance, and reconnaissance technology; completing the HH-65 re-engining work; and, lastly, initiating several essential legacy conversion projects, including installation of airborne use of force equipment aboard 36 helicopters.

Funding requests were based on strengthening preparedness, maximizing awareness, and enhancing capabilities, according to Admiral Collins. First, to strengthen preparedness, the Coast Guard is requesting $51.3 million to close inflationary cost growth gaps in the depot level maintenance and energy account; an additional $37.8 million to support the Mission Effectiveness Project (MEP) for 270-foot and 210-foot Medium Endurance Cutters (WMEC); $30.5 million to fund operations and personnel for the airborne use of force program; $42.3 million for Deepwater logistics support; $7.2 million to replace obsolete oxygen breathing apparatus aboard ships and training centers with safer self-contained breathing apparatus (SCBA); and $25.9 million to recapitalize aids-to-navigation nationwide and rebuild or improve aged shore facilities.

Second, to maximize awareness, the Coast Guard is requesting $11.2 million to continue procurement plans and analysis for deployment of a nationwide system to identify, track, and exchange information with vessels in the maritime domain; $17 million to support follow-on and new initiatives; and $60.8 million to develop and install systems and subsystems that are part of the Deepwater Command, Control, Communication, Computer, Intelligence, Surveillance, and Reconnaissance system. Third, to enhance capability, the Coast Guard is requesting $934.4 million for the Deepwater program to continue the recapitalization of the Coast Guard’s aircraft and ships and the networks that links them together into an integrated system; $39.6 million to continue system design, preparation, and installation of Rescue 21; $62.4 million to establish infrastructure, acquire additional aircraft and fund operations for this newly assigned homeland security mission in the nation’s capital; $24.8 million to begin low-rate initial production to replace 41-foot utility boats and non-standard boats; and $4.7 million to provide additional personnel and transform the prototype Enhanced Maritime Safety and Security Team in Virginia into an MSRT, providing on-call maritime counter-terrorism response capacity.

Additional information regarding this hearing is available at http://hsc.house.gov/.

**REPORt ESTIMATES STATE-BY-STATE INCOME TRENDS**

A newly released report by the Center on Budget Policy Priorities (CBPP) looks at state-by-state income trends. Results showed income disparities in many states; however, the degree to which income disparities exist varied from state to state. Between the early 1980’s and the early 2000’s, the incomes of the country’s highest-income families climbed substantially, while middle- and lower-income families saw only modest increases in income, according to the report. Likewise, real wages for low- and moderate-income families grew more slowly in 2002 and the first part of 2003 than in previous years and then began to decline. The highest-income families also saw declines in real income as a result of the large drop in the stock market, but this decline was short-lived; the incomes of the richest families appear to have rebounded strongly since 2002, the report charged.

On the other hand, poor and middle-income families experienced extended lingering periods of decline in income caused by the impact of the recession. Unemployment has not fallen fast enough to generate the income gains among low-and middle-income families that were seen in the late 1990’s, according to the report. In addition, federal tax cuts targeted primarily to high earners widened the gap between the incomes of the wealthiest families and those with low and moderate incomes. As a result, income inequality has begun to increase again.

To illustrate this point, the incomes of the top five percent of families increased by 73 percent to 132 percent between the early 1980’s and the early 2000’s; but, by contrast, the incomes of the bottom fifth of families in these states increased by 11 percent to 24 percent over the same period. In addition, the poorest fifth of families had an average income of $16,780 in the early 2000’s, while the top fifth of families had an average income of $122,150, or more than seven times as much. Furthermore, in the early 1980’s, there was no state in which the average income of
high-income families was as much as 6.4 times larger than the average income of low income families. By the early 2000's, 32 states had “top to bottom” ratios of 6.4 or greater.

California was one of among 12 states whose top five percent of families were 12 times the average income richer than the bottom 20 percent in early 2000. Also, California was reported as having one of the largest gaps between high- income and middle- income families.

The report notes that income disparities between the top fifth and bottom fifths of families in income distribution grew in 39 states over the past two decades. Even during the 1990's, the gap between high-income and low-income families grew in almost half of the states. The income gap between high-income and middle-income families also grew over the last ten and 20 years. For example, on the national average, the incomes of the poorest fifth of families grew by $2,660 over the two-decade period, after adjusting for inflation. By contrast, the incomes of the richest fifth of families grew by almost that much ($2,148) each year over the course of the two decades, for a total increase of $45,100.

The report is available at: http://www.cbpp.org/1-26-06sfp.pdf.

FILIPINO AMERICANS CELEBRATED AT SMITHSONIAN

On January 13, 2006, the Smithsonian Asian Pacific American Program launched the Filipino American Centennial Commemoration to celebrate 100 years of Filipino American contributions to labor, the military, literature and contemporary society.

The centennial celebration’s formal unveiling was cosponsored by the Filipino Embassy, featured Filipino dignitaries, and was used to showcase the different activities that are part of the commemorative program. Among the activities planned this year are an exhibit at the Smithsonian Institution which will tour the country, performances, films, panel forums and other programs that will be planned in cities such as San Francisco and Los Angeles, both Filipino American hubs.

Filipino Americans are the second largest Asian and Pacific Islander minority in the country, numbering some 1.9 million (the number jumps to 2.36 million when counting Filipinos of mixed ethnicity), according to the most recent census data. With a population of over 927,000 Filipino Americans, California houses by far the largest share (nearly half) of the nation’s total population.

For more information, visit the Smithsonian Asian Pacific American Program website at: www.apa.si.edu.

PPIC EXAMINES IMPROVING TEACHER RETENTION IN CALIFORNIA PUBLIC SCHOOLS

A recent report by the Public Policy Institute of California (PPIC) examines the challenges that California’s public schools face in regard to teacher retention and the prompt action that is needed to address the current shortfall of fully credentialed teachers in the state’s public schools. Teacher turnover rates presents a significant problem in terms of placing credentialed teachers in California classrooms, since many new hires are not fully credentialed. Under the No Child Left Behind (NCLB) Act, it stipulates that all teachers in core academic subjects must be “highly qualified” by the end of 2005-06, consequently increasing pressure for teacher retention.

The study conducted by PPIC tracks teachers in their first seven years of employment and defines “leaving” as two consecutive years with no public school employment. (Thus, the study is not directly comparable to national studies that typically measure leaves of any duration.) PPIC finds that 13 percent of new teachers left public schools in their first or second year of teaching. By the end of the fourth year, 22 percent left. For teachers starting with multiple-subject certification (generally kindergarten through sixth grade), leaving public schools was slightly less common, at 20 percent by the fourth year. Yet the authors assert, that if these patterns from the 1990s continue, about 25 percent of new teacher hires will be replacements for other recently hired teachers who have left public school employment.

Furthermore, the report finds that teacher retention is positively related to the credentialing process and it encourages the creation of “highly qualified” teachers mandated by NCLB. In 2004-05, for instance, 25 percent of newly hired teachers lacked full credentials. However, among teachers with five years of experience, only 11 percent lacked full credentials and those with ten years of experience had just 2 percent that were not “highly qualified.” ” The lack of fully credentialed teachers is of special concern for high-poverty districts because an overwhelming majority of new, fully credentialed teachers tend to favor low-poverty districts. Consequently, large and growing high-poverty districts will be forced to recruit a greater number of teachers without full credentials.
Policies aimed at teacher retention have had a beneficial effect. In fact, the authors found that professional development and compensation programs implemented in the 1990s contributed to a decrease in teacher turnover. The probability of a new teacher leaving public school employment fell from about 8 percent in 1993-94 to just over 5 percent in 1998-99. In particular, districts with slightly higher retention problems who were early adopters of professional development programs, such as the Beginning Teacher Support and Assessment (BTSA) program, saw a substantial decline in teacher turnover. Compensation packages, although less cost-effective than professional programs, are indeed an important component of teacher retention, in that teachers in districts with higher starting salaries and greater scheduled salary growth are less likely to leave public school teaching or to transfer between districts.

The authors of the report conclude that certain policies and programs improve teacher retention — BTSA, specifically, has enjoyed substantial, positive results. However, state funding for other teacher development programs, such as Peer Assistance and Review, was drastically reduced, from $222 million in 2000-01 to $63 million in 2004-05. Given the success and cost-effectiveness of BTSA, policymakers may wish to evaluate and allocate additional funding for these other development programs, the authors suggested. In addition, since teachers without full credentials are not eligible for BTSA, policymakers should consider implementing a development program targeted at this population of teachers.

For more information on this report or to view a copy visit [http://www.ppic.org](http://www.ppic.org).

**BUSH BUDGET ANALYSIS AVAILABLE ON INSTITUTE WEBSITE**


**PPIC LUNCHEON BRIEFING ON FEBRUARY 23: PUBLIC ATTITUDES IN CALIFORNIA REGARDING MARINE & COASTAL ISSUES**

On Thursday, February 23, 2006, the Public Policy Institute of California (PPIC) and the California Institute for Federal Policy Research will host the next in PPIC’s monthly series of luncheon briefings. The briefing will present an opportunity for the first public release of new public opinion survey research that highlights Californians’ perceptions and concerns about marine and coastal issues.

This survey is part of an ongoing series produced in collaboration with the David and Lucile Packard Foundation. It seeks to provide an in-depth understanding of public attitudes toward environmental issues, including policy tradeoffs and recreational uses.

Mark Baldassare, Director of Research, Survey Director and Senior Fellow at PPIC, will present new findings from the PPIC Statewide Survey at this luncheon briefing, which will be held on Thursday, February 23, 2006, at 12:00 noon in Room B-369 of the Rayburn House Office Building.

Copies of the survey will be available at the briefing. After the information is released for the first time at the briefing, it will also become available at [http://www.ppic.org](http://www.ppic.org).

Author of numerous PPIC publications, Mark Baldassare is an expert in public opinion and survey research, as well as elections, demographics and political participation. Before joining PPIC, he was a professor and department chair at U.C. Irvine, and conducted polls for the Los Angeles Times, Orange County Register, San Francisco Chronicle, and California Business Roundtable. He received an M.A. from the University of California, Santa Barbara and a Ph.D. from the University of California, Berkeley.

PPIC is a private, nonprofit organization dedicated to improving public policy through objective, nonpartisan research on the economic, social, and political issues that affect Californians. To attend this lunch briefing, please reply (acceptances only, thank you) to 202-546-3700, or send e-mail to ransdell@calinst.org.

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